

103D CONGRESS  
1ST SESSION

# S. 263

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid by a health care professional as interest on student loans if the professional agrees to practice medicine for at least 2 years in a rural community.

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## IN THE SENATE OF THE UNITED STATES

JANUARY 28 (legislative day, JANUARY 5), 1993

Mr. PRESSLER introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for amounts paid by a health care professional as interest on student loans if the professional agrees to practice medicine for at least 2 years in a rural community.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DEDUCTION FOR STUDENT LOAN PAYMENTS**

4 **BY MEDICAL PROFESSIONALS PRACTICING**  
5 **IN RURAL AREAS.**

6 (a) INTEREST ON STUDENT LOANS NOT TREATED  
7 AS PERSONAL INTEREST.—Section 163(h)(2) of the Inter-

1 nal Revenue Code of 1986 (defining personal interest) is  
 2 amended by striking “and” at the end of subparagraph  
 3 (D), by striking the period at the end of subparagraph  
 4 (E) and inserting “, and”, and by adding at the end  
 5 thereof the following new subparagraph:

6 “(F) any qualified medical education interest  
 7 (within the meaning of subsection (k)).”.

8 (b) QUALIFIED MEDICAL EDUCATION INTEREST DE-  
 9 FINED.—Section 163 of the Internal Revenue Code of  
 10 1986 (relating to interest expenses) is amended by redes-  
 11 ignating subsection (k) as subsection (l) and by inserting  
 12 after subsection (j) the following new subsection:

13 “(k) QUALIFIED MEDICAL EDUCATION INTEREST OF  
 14 MEDICAL PROFESSIONALS PRACTICING IN RURAL  
 15 AREAS.—

16 “(1) IN GENERAL.—For purposes of subsection  
 17 (h)(2)(F), the term ‘qualified medical education in-  
 18 terest’ means an amount which bears the same ratio  
 19 to the interest paid on qualified educational loans  
 20 during the taxable year by an individual performing  
 21 services under a qualified rural medical practice  
 22 agreement as—

23 “(A) the number of months during the tax-  
 24 able year during which such services were per-  
 25 formed, bears to

1           “(B) the number of months in the taxable  
2           year.

3           “(2) DOLLAR LIMITATION.—The aggregate  
4           amount which may be treated as qualified medical  
5           education interest for any taxable year with respect  
6           to any individual shall not exceed \$5,000.

7           “(3) QUALIFIED RURAL MEDICAL PRACTICE  
8           AGREEMENT.—For purposes of this subsection—

9           “(A) IN GENERAL.—The term ‘qualified  
10          rural medical practice agreement’ means a writ-  
11          ten agreement between an individual and an ap-  
12          plicable rural community under which the indi-  
13          vidual agrees—

14               “(i) in the case of a medical doctor,  
15               upon completion of the individual’s resi-  
16               dency (or internship if no residency is re-  
17               quired), or

18               “(ii) in the case of a registered nurse,  
19               nurse practitioner, or physician’s assistant,  
20               upon completion of the education to which  
21               the qualified education loan relates,

22               to perform full-time services as such a medical  
23               professional in the applicable rural community  
24               for a period of 24 consecutive months. An indi-  
25               vidual and an applicable rural community may

1 elect to have the agreement apply for 36 con-  
2 secutive months rather than 24 months.

3 “(B) SPECIAL RULE FOR COMPUTING PE-  
4 RIODS.—An individual shall be treated as meet-  
5 ing the 24 or 36 consecutive month requirement  
6 under subparagraph (A) if, during each 12-con-  
7 secutive month period within either such period,  
8 the individual performs full-time services as a  
9 medical doctor, registered nurse, nurse practi-  
10 tioner, or physician’s assistant, whichever ap-  
11 plies, in the applicable rural community during  
12 9 of the months in such 12-consecutive month  
13 period. For purposes of this subsection, an indi-  
14 vidual meeting the requirements of the preced-  
15 ing sentence shall be treated as performing  
16 services during the entire 12-month period.

17 “(C) APPLICABLE RURAL COMMUNITY.—  
18 The term ‘applicable rural community’ means—

19 “(i) any political subdivision of a  
20 State which—

21 “(I) has a population of 5,000 or  
22 less, and

23 “(II) has a per capita income of  
24 \$15,000 or less, or

1                   “(ii) an Indian reservation which has  
2                   a per capita income of \$15,000 or less.

3                   “(4) QUALIFIED EDUCATIONAL LOAN.—The  
4                   term ‘qualified educational loan’ means any indebt-  
5                   edness to pay qualified tuition and related expenses  
6                   (within the meaning of section 117(b)) and reason-  
7                   able living expenses—

8                   “(A) which are paid or incurred—

9                   “(i) as a candidate for a degree as a  
10                  medical doctor at an educational institu-  
11                  tion described in section 170(b)(1)(A)(ii),  
12                  or

13                  “(ii) in connection with courses of in-  
14                  struction at such an institution necessary  
15                  for certification as a registered nurse,  
16                  nurse practitioner, or physician’s assistant,  
17                  and

18                  “(B) which are paid or incurred within a  
19                  reasonable time before or after such indebted-  
20                  ness is incurred.

21                  “(5) RECAPTURE.—If an individual fails to  
22                  carry out a qualified rural medical practice agree-  
23                  ment during any taxable year, then—

24                  “(A) no deduction with respect to such  
25                  agreement shall be allowable by reason of sub-

1           section (h)(2)(F) for such taxable year and any  
2           subsequent taxable year, and

3           “(B) there shall be included in gross in-  
4           come for such taxable year the aggregate  
5           amount of the deductions allowable under this  
6           section (by reason of subsection (h)(2)(F)) for  
7           all preceding taxable years.

8           “(6) DEFINITIONS.—For purposes of this sub-  
9           section, the terms ‘registered nurse’, ‘nurse practi-  
10          tioner’, and ‘physician’s assistant’ have the meaning  
11          given such terms by section 1861 of the Social Secu-  
12          rity Act.’’.

13          (b) DEDUCTION ALLOWED IN COMPUTING AD-  
14          JUSTED GROSS INCOME.—Section 62(a) of the Internal  
15          Revenue Code of 1986 is amended by inserting after para-  
16          graph (14) the following new paragraph:

17               “(15) INTEREST ON STUDENT LOANS OF RURAL  
18          HEALTH PROFESSIONALS.—The deduction allowable  
19          by reason of section 163(h)(2)(F) (relating to stu-  
20          dent loan payments of medical professionals practic-  
21          ing in rural areas).’’.

22          (c) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to taxable years beginning after  
24          December 31, 1992.

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